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**CONFIDENTIAL**

4 SEPTEMBER 1956

**BACKGROUND - LURZ**

- I. Egypt's Position. As the 5-Power Committee begins its talks with Nasr in Cairo, CIA's information indicates there has been no significant shift in Nasr's position. The elements of this position are still as follows:
  - A. The question of operation and management of the canal is separate from the question of freedom of transit.
  - B. Operation and management of the canal is a sovereign right of Egypt.
  - C. As to freedom of transit, Egypt is willing to participate in an international guarantee in this respect and to accept arrangements for international sanctions in the event of any interference with that freedom.
- II. Canal Operations. The number of vessels transiting the canal remains at about the pre-crisis figure of 35 to 45 per day.
- III. Egyptian Military Preparations. No significant new moves have been made by the Egyptian army or air forces (see annex B for details on Egyptian ground, naval and air deployment). While public asserting their readiness to meet any threat, Egyptian army commanders reportedly are most pessimistic about their chances for success in such a defense.
- IV. Soviet Position. Moscow is continuing to play a cautious role, apparently still convinced that time is on the side of the Egyptians. Soviet propaganda media continue to encourage Nasr not to compromise his principles on the canal issue.

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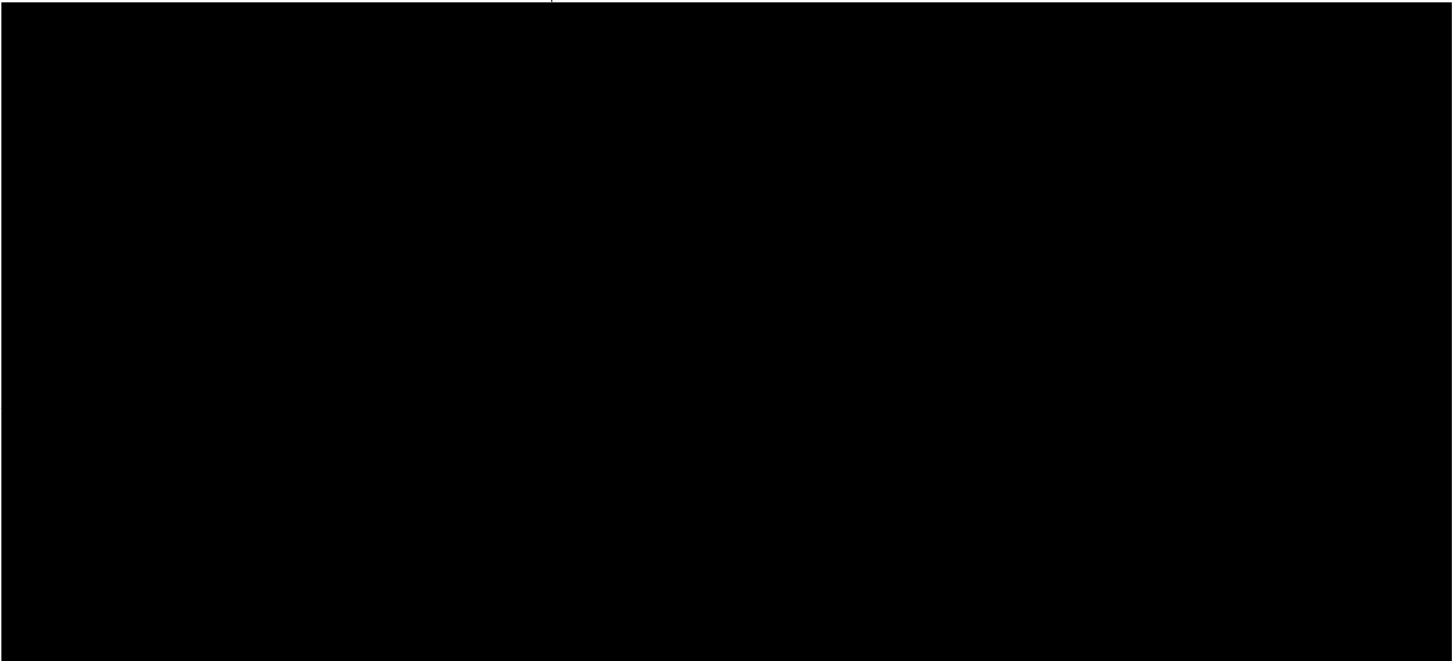
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A. Moscow's continuing appreciation of the seriousness of the situation is reflected by the comment of Soviet deputy foreign minister Gromyko that, if the 13 powers attempted to impose their plan on Nassr, "it would mean war."

1. Khrushchev subsequently stated that the Arab world would not stand alone if war came.
2. Moscow's willingness to assist Egypt was further demonstrated by the reported conclusion, on 4 September, of a new wheat agreement providing for 200,000 tons of Soviet wheat. Egypt now has acquired 450,000 of the 600,000 tons it needs.

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B. The USSR apparently is relying on the West not to resort to force, and Soviet propaganda has pictured the presence of French troops on Cyprus as a pressure tactic.



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- VII. French Position.** The French do not expect the 5-Power Committee of five to succeed, and--in the event of failure--can be expected to bring strong pressure for immediate and drastic sanctions.
- A.** The French will not be satisfied with any solution which saves Nasser's face.
- B.** Moreover, they anticipate a breakdown in canal operations which can be used as an excuse for military operations.

**VIII. French Military Preparations.** The total number of French military personnel moved to Cyprus is not known. According to press reports, an army contingent of about 1,000 men arrived in Nicosia by air on 30 August. A day later, the first of several cargo ships, earlier reported to be loading troops in French ports, landed 150 soldiers at Famagusta. These 150 apparently represent the advance party of two divisions from Algeria--the NATO-committed 7th Rapid Mechanized Division and the 10th Infantry Division (Light), a reserve unit activated in July 1956. Description of the latter as a "parachute division" suggests that some of the French parachute regiments in Algeria may have been attached to it.

- A. Although specific details of French naval movements have not been announced, the press reported that an important naval force, headed by the cruiser Georges Leygues, left Toulon on 30 August. The most modern of France's naval units, the powerful new anti-aircraft cruiser De Grasse, has joined the Mediterranean Fleet from its base at Brest. Vice Admiral Auboyneau, Commander in Chief of French Naval Forces in the Mediterranean, stated in a press interview on 29 August that the Navy would have an essential role in event a diplomatic solution is not found, and indicated this would involve naval aviation and amphibious units as well as the fleet.
- B. Two shiploads of air force ground equipment for the Third Fighter Group, which has been designated (along with 2 transport units) as part of the new FAF Middle East Command, have reportedly sailed from Marseilles (presumably for Cyprus), and equipment from other groups is reportedly loading. Nearly all French Air Force combat groups are reported alerted, and two (First and

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Twelfth Fighter) are presumably earmarked for the Middle East Command. There is as yet no report of French fighter aircraft having arrived on Cyprus.

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5 SEPTEMBER 1956

BACKGROUND--SUEZ: ANNEX A - CANAL PILOT DATA

Prior to the crisis, the European canal company considered that 243 pilots was the minimum required to handle the current level of traffic.

A At the beginning of 1956 there were 187 canal pilots on duty, including 56 French, 52 British and 32 Egyptians.

B At the time of nationalization, it is estimated that 205 pilots were on duty. Thus, a shortage existed even prior to the crisis.

C Since nationalization, at least 27 additional Egyptian pilots have been hired and Egypt appears to have succeeded in hiring pilots from abroad, including the USSR.

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1. Press reports on 4 September indicate that Soviet pilots are already en route to Egypt.

D. However, failure of some European pilots to return to Egypt from leave has contributed to the present shortage.

II. This shortage is expected to worsen in the near future. Of approximately 155 non-Egyptian canal pilots, 143 have reaffirmed their loyalty to the old canal company, and expressed a desire for repatriation.

A. At a recent meeting of canal company European personnel, the key employees reportedly agreed to resign by 15 September or earlier if Nasr does not agree to "internationalization." Pilots' morale is reported to be bad, and many pilots allegedly assert that they will not stay with their jobs even if the Suez dispute is settled.

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III. Egypt has reduced Suez convoys from 2 a day in each direction to one a day in each direction.

A. This change had actually been considered by the European Company in June in order to reduce pressure on the overworked pilots.

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NSC BRIEFING

5 September 1956

BACKGROUND--SUEZ

1 Egypt's Position. As the 5-Power Committee begins its talks with  
25X1X Nasr in Cairo, [REDACTED] information indicates there has been no  
significant shift in Nasr's position. The elements of this position  
apparently are still as follows:

- A The question of operation and management of the canal is separate  
from the question of freedom of transit.
- B Operation and management of the canal is a sovereign right  
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C. As to freedom of transit, Egypt is willing to participate in an international guarantee in this respect and to accept arrangements for international sanctions in the event of any interference with that freedom.

25X1C D. A "compromise plan", reportedly offered the committee by Nasr on 5 September, may be a proposal which [REDACTED] was agreed on between Nasr and Menon. This latter plan is said to provide for ostensible Egyptian control of operations which would, in fact, be in the hands of an international committee.

(I) Canal Operations. The number of vessels transiting the canal remains at about the pre-crisis figure of 35 to 45 per day (see Annex A for late information on the pilot problem).

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An Egyptian decision of 30 August now requires payment of Suez Canal transit fees in Egypt in Egyptian pounds.

1. Shipping companies must establish special accounts in Egypt for this purpose, using Egyptian currency acquired in return for foreign exchange.
2. This action may indicate an Egyptian willingness to risk charges of obstructing free movement of shipping through the canal, since the new requirement brings to a head the question of whether British and French ships can continue to pay their transit fees into blocked accounts in London or Paris.

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III. Egyptian Military Preparations. No significant new moves have been made by the Egyptian army or air forces (see Annex B for details on Egyptian ground, naval and air deployment). While publicly asserting their readiness to meet any attack, Egyptian army commanders reportedly are most pessimistic about their chances for a successful defense.

Soviet Position. Moscow is continuing to play a cautious role, apparently still convinced that time is on the side of the Egyptians. Soviet propaganda continues to encourage Nasr not to compromise his principles on the canal issue.

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A. Moscow's continuing appreciation of the seriousness of the situation is reflected by the comment of Soviet deputy foreign minister Gerasimov [REDACTED] that, if the 18


powers attempted to impose their plan on Easr, "it would mean war."

1. Khrushchev subsequently stated that the Arab world would not stand alone in war case.

B. Moscow's willingness to assist Egypt was further demonstrated by the conclusion, on 4 September, of a new agreement providing Egypt with 200,000 tons of Soviet wheat. Egypt now can expect a total of 400,000 tons of foreign wheat in the near future, a solid four months supply exclusive of what she grows herself.

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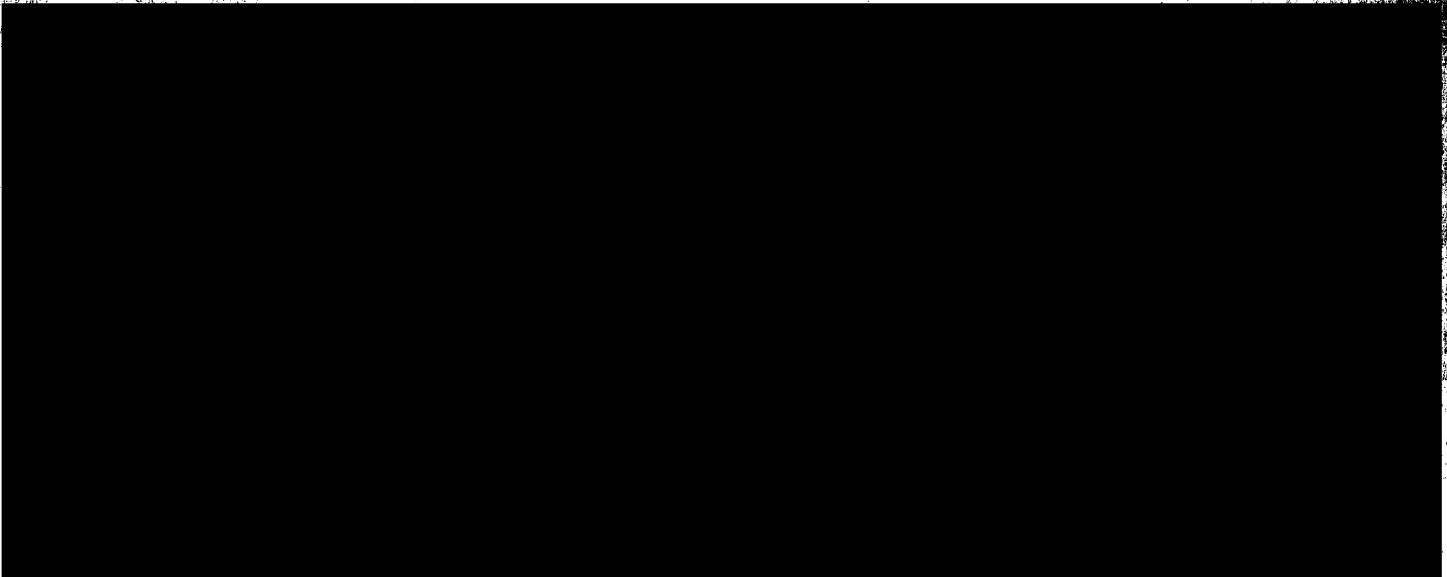
C. The USSR apparently is relying on the West not to resort to force, and Soviet propaganda has pictured the arrival of French troops on Cyprus as a pressure tactic.



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- II. French Position. The French do not expect the 5-Power Committee to succeed, and--in the event of failure--can be expected to bring strong pressure for immediate and drastic sanctions.
- A. The French will not be satisfied with any solution which saves face for Nasr.
- B. Moreover, the French anticipate a breakdown in canal operations which can be used as an excuse for military operations.
- III. French Military Preparations. The total number of French military personnel moved to Cyprus is not known. According to press reports, an army contingent of about 1,000 men arrived in Nicosia by air on 30 August. A day later, the first of several French cargo ships, earlier reported to be loading troops in French ports, landed

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150 soldiers at Famagusta. These 150 apparently represent the advance party of two divisions from Algeria--the NATO-committed 7th Rapid Mechanized Division and the 10th Infantry Division (Light), a reserve unit activated in July 1956. Description of the latter as a "parachute division" suggests that some of the French parachute regiments in Algeria may have been attached to it.

A. Although specific details of French naval movements have not been announced, the press has reported that an important naval force, headed by the cruiser Georges Leygues, left Toulon on 28 August, and press reports of 5 September placed the Leygues at Malta. The most modern of France's naval units, the powerful

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new anti-aircraft cruiser De Grasse, has joined the Mediterranean Fleet from its base at Brest. Vice Admiral Auboyneau, Commander in Chief of French Naval Forces in the Mediterranean, stated in a press interview on 29 August that the Navy would have an essential role in event a diplomatic solution to the Suez crisis is not found, and indicated this would involve naval aviation and amphibious units, as well as the fleet.

B. Two shiploads of French Air Force ground equipment--for the Third Fighter Group, which has been designated (along with 2 transport units) as part of the new FAF Middle East Command--have reportedly sailed from Marseilles (presumably for Cyprus). Equipment from other groups is reportedly loading. Nearly all French Air Force

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combat groups are reported alerted, and two (the First and Twelfth Fighter Groups) are presumably earmarked for the Middle East Command. There is as yet no report of French fighter aircraft arriving on Cyprus